GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1823
ANSWERED ON:25.11.2016
FSLRC
Parthipan Shri R.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has implemented the recommendations of Financial Sector Legislative Reforms Commission (FSLRC);

(b) if so, the details thereof;

(c) whether the Government has made amendments in the banking sector laws in keeping with the recommendations; and

(d) if so, the details thereof and the number of such amendments carried out in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) and (b): The following actions have been taken on the recommendations of the Financial Sector Legislative Reforms Commission (FSRLC):-

1) The existing financial sector regulatory agencies are implementing the governance enhancing recommendations that can be adopted without legislative changes, on a voluntary basis.
2) The Forward Markets Commission has been merged with the Securities and Exchange Board of India (SEBI) with effect from 29th September, 2015 to achieve convergence of regulations of securities market and commodity derivatives market.

3) A 'Financial Sector Regulatory Appointment Search Committee' (FSRASC) has been constituted on 24.11.2015 for recommending names of suitable persons for appointment to board level positions of financial sector regulatory bodies.

4) In pursuance to the recommendation of the FSLRC for evolving a new financial regulatory architecture, the Government set up four Task Forces for upgrading the existing Securities Appellate Tribunal (SAT) to Financial Sector Appellate Tribunal (FSAT) and for establishing new agencies namely, the Resolution Corporation (RC), the Public Debt Management Agency (PDMA) and the Financial Data Management Centre (FDMC) on 30th Sept. 2014. These Task Forces submitted their reports in June 2015. The Task Force set up on 5.6.2015 for creating a sector-neutral Financial Redress Agency (FRA), as announced in the Budget Speech 2015-16, submitted its Report to the Government on 30.6.2016.

5) Since moving the Indian Financial Code (IFC), recommended by the FSLRC, in totality is a time consuming process, key aspects of the IFC are being fast-tracked as follows:-

(i) In the context of setting up the RC as recommended by FSLRC, it was announced in the Budget Speech of 2016-17 to frame a comprehensive Code on Resolution of Financial Firms and introduce it as a Bill in the Parliament during 2016-17. A Committee for framing a Draft Code on Resolution of Financial Firms was accordingly set up on 15.3.2016. The Committee submitted its Report and a Draft Bill, titled 'The Financial Resolution and Deposit Insurance Bill, 2016' on 21.9.2016. A copy each of the Report and the Draft Bill and an explanatory note explaining the key legal provisions of the Bill was hosted on the website of the Ministry of Finance on 28.9.2016. Stakeholder and public comments were invited upto 31.10.2016.
(ii) Setting up a centralised data centre named as Financial Data Management Centre (FDMC) under the aegis of the Financial Stability and Development Council (FSDC) that will be used for analysis of financial stability and related issues.
(iii) The Government has set up a Public Debt Management Cell (PDMC), as an interim arrangement before setting up of a full-fledged independent and statutory debt management body, namely, Public Debt Management Agency (PDMA) of India, in due course. This interim arrangement will allow separation of debt management functions from RBI to PDMA in a gradual and seamless manner, without causing market disruptions. PDMC shall be upgraded to a statutory PDMA in due course. The PDMC will have only advisory functions to avoid any conflict with the statutory functions of Reserve Bank of India (RBI).

(c) and (d): In pursuance to the recommendations of FSLRC regarding ensuring settlement finality by making the netted obligations bankruptcy remote to the participants of the organised financial system, the Payment and Settlement Systems Act, 2007 was amended by the Payment and Settlement Systems (Amendment) Act, 2015 to strengthen the provisions of the finality of settlement in the payment system. The Payment and Settlement Systems Act, 2007 now provides that where a court has declared a system participant as insolvent, or is dissolved or wound up, the settlement which is final and irrevocable would not be affected. Further, the right of the system provider to appropriate any collaterals contributed by the system participant towards its settlement etc. would also not be affected. This provision would override that of the Companies Act, 1956, Companies Act, 2013 and the Banking Regulation Act, 1949. Further, the final settlement would not be affected even in cases where the court or tribunal has appointed a liquidator. It is

further clarified that this would apply to any settlement made prior to such order or immediately thereafter.

In pursuance to the recommendations of Working Group on Banking of FSLRC to strengthen the recovery mechanism of banks and financial institutions, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 have been amended through the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016. The amendments in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 have been made to suit changing credit landscape and augment ease of doing business which, inter alia, include (i) registration of creation, modification and satisfaction of security interest by all secured creditors and provision for integration of registration systems under different laws relating to property rights with the Central Registry so as to create central database of security interest on property rights; (ii) providing specific timeline for taking possession of secured assets; and (iii) providing priority to secured creditors in repayment of debts. The amendments in the Recovery of Debts due to Banks and Financial Institutions Act, 1993, inter alia, include (i) expeditious adjudication of recovery applications; (ii) electronic filing of recovery applications, documents and written statements; (iii) providing priority to secured creditors in repayment of debts; (iv) empowering the Central Government to provide for uniform procedural rules for conduct of proceedings in the Debts Recovery Tribunals and Appellate Tribunals. Further, Government has also modified the Debt Recovery Tribunal (Procedure) Rules and Debt Recovery Appellate Tribunal (Procedure) Rules notified vide notification dated 4th November, 2016.

In pursuance to the recommendation of the FSLRC regarding creating a statutory and institutionalised framework for monetary policy, the Reserve Bank of India Act, 1934 (RBI Act) has been amended by the Finance Act, 2016, to provide for a statutory and institutionalised framework for a Monetary Policy Committee, for maintaining price stability, while keeping in mind the objective of growth. The Monetary Policy Committee is entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level. Rules and notification of commencement of the relevant sections of the RBI Act, 1934 have been published in Official Gazette on 27.6.2016. Inflation Targets have also been finalised in consultation with RBI and published in Official Gazette on 5.8.2016. The constitution of Monetary Policy Committee has been notified in the Official Gazette on 29.9.2016 and is functional.

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